

Cambridge Technicals in Business

Level 3 Unit 5

Case study: Employee motivation and performance

Instructions for teachers

These instructions should accompany the OCR resource ‘Case study: Employee motivation and performance’ activity which supports OCR Cambridge Technicals in Business.



The Activity:



This activity offers an opportunity for English skills development.

Associated materials:

‘Case study: Employee motivation and performance’ Lesson Element learner activity sheet.

Suggesting timing:

30 minutes

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Driving with the dashboard

All businesses face the issue of how to get employees performing at their best, and so enable the company to perform at its best. What counts as 'best performance' will vary from business to business. In retail, for example, it is clear that a good sales assistant is one who achieves a high number of sales. But this is a complex area and raw sales figures alone will not necessarily give an accurate picture of an individual's performance. The store's overall performance may suffer if sales are high, but goods are returned as being unsuitable, or if customers are so disgruntled that they never shop there again. Giving good customer service and meeting customers' needs are an intrinsic part of best performance.

A business will need to develop a system of performance monitoring which not only gives managers accurate and useful data about their staff's performance, but is also accepted as fair by the employees. The business will also want to motivate employees to perform better.

Richer Sounds, the electricals retail chain, has developed a detailed and dynamic system of performance monitoring for its nearly 500 employees – who are always known as 'colleagues' within the company. It calls the system the Richer Sounds Dashboard. The idea is that, like the dashboard of a car, it gives the managers and directors who are 'driving' the business the information they need about what is happening at any one time. Problems are thus signalled early on and dealt with swiftly. For example, an unusual drop in sales figures can be seen within days, rather than the directors having to wait for quarterly reports.

Monitoring performance

"The challenge is to monitor performance in a way that makes sense to managers and colleagues, and then to know what to make of the results of that monitoring," says Richer Sounds' Operations Director John Clayton.

"It is not easy as there are so many variables. Every shop, its location and customer base is different. But we have narrowed down to a small number of performance indicators for colleagues. We aim for this to be fair but easy to understand."

At Richer Sounds performance monitoring is linked to training. The company makes training part of the working week, with store colleagues undergoing regular online training sessions. They take weekly online tests, for example about the products or about aspects of customer service, and have fortnightly training on service and procedures in the stores, via workshops.

Each colleague has a 'score card'. Into this are fed their results from:

- The weekly online tests
- Fortnightly training
- Their sales figures
- Customer service feedback.

Customer feedback data is obtained from questionnaires which customers fill in about the service they received from the named sales assistant.

Mr Clayton says some aspects of performance are easier to assess than others. "If a colleague isn't giving good customer service, then that becomes clearly apparent. But if he or she is making a low level of sales, there might be many reasons for that, so it would have to be looked into. We investigate, rather than jump to conclusions." It may well be that the colleague requires more training.

The important thing about the Richer Sounds Dashboard data is that it is there on the company's system for everyone within the company to see.

The Dashboard displays the performance Key Indicators (KIs) for each store (sales figures, customer satisfaction and so on) and the score cards for individual colleagues. Everyone can see how well they are performing in relation to others.

Richer Sounds believes this creates competition which motivates everyone to perform better. It fits with the company's values and management style, says John Clayton. Stores strive to outperform each other, especially those in nearby towns.

"Close performance monitoring suits the kind of people we employ: it motivates them," Mr Clayton says. "They tend to be competitive people who want to know how well they're doing and try to do better than other colleagues. They thrive on the attention, especially as we only promote from within at Richer Sounds. People want to get noticed and we do notice them. We really do deal with all our colleagues as individuals."

Performance and reward

Detailed performance monitoring is also important for Richer Sounds colleagues because the company has a system of financial incentives for good performance, adding to the person's basic pay, along with penalties for poor performance.

Sales colleagues receive a relatively low basic pay, which is then supplemented in numerous ways, based on their own performance. They receive commission on most items they sell. In addition, for example, when the customer fills in a questionnaire about the sale, if the quality of overall service is given as 'excellent', the member of staff receives an extra sum; if 'poor' there is a financial penalty. A colleague will gain a cash bonus for a top-mark score card, or for making a successful contribution to the company's suggestion scheme.

"Our reward system is structured so that the more successful colleagues are, the more they earn," John Clayton says. The performance monitoring scheme therefore gives them opportunities to be successful and recognises when they are.

Questions

1. Outline the benefits to Richer Sounds of providing training as part of the working week

By providing training as part of the working week, Richer Sounds are highlighting to staff that it is an important part of their job, and that they are investing in the staff. By holding regular staff training sessions in the working week, Richer Sounds can ensure that their staff are kept up-to-date with the products that they sell, which in turn should help them to provide better customer service. Therefore the benefits to Richer Sound are better motivated and more-knowledgeable staff, leading to better customer service which in turn will help to increase sales.

2. Discuss how important it is for a performance management system to be seen as fair by employees

It is imperative that a performance management system is seen as fair by employees, particularly where that system is used as a basis for financial incentives. One of the purposes of a performance management system is to identify where improvements can be made, and to support those staff who need it. A system that is seen as unfair will not motivate staff, and indeed may have the opposite effect and demotivate them. This will then make it very difficult to identify areas where there is genuine opportunities to make improvements.

3. What are the potential problems of making the data on the Richer Sounds Dashboard available for all staff to see?

There are a number of potential problems that may arise with such a transparent system. One issue is whether the information is provided in context, since each store is different, and there may be a number of reasons why the performance of an individual will vary. A second issue may be that the information could undermine staff. For example, a store manager could lose respect from their staff if those staff can see that their store manager is performing less well than other store managers. Both of these issues could lead to demotivation.

4. To what extent do you agree that competition creates motivation?

Competition can often create motivation, however it is not always the case. Some people are more competitive by nature, and as such it is important that the right sort of person is employed in a competitive environment. In addition, the criteria upon which people are to be judged must be seen as equitable. If staff feel that the competition is unfair, and that they don't have a realistic chance, then competition could lead to demotivated staff, since they may feel that there is little point in even trying to compete.

5. Evaluate the use of monetary and non-monetary rewards by Richer Sounds to motivate their staff.

Richer Sounds place a greater emphasis upon the use of monetary rewards to motivate staff. Staff receive a relatively low-basic pay, that can be increased through successful performance. Non-monetary rewards, such as training, are used, but only in a limited way, and therefore there is scope to implement the wider use of non-monetary rewards.



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